



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

**SN 2002(5)**

**SPECIAL NOTICE**

**2002 Legislation Affecting the Connecticut Gift Tax**

**Purpose:** This Special Notice describes legislation that was passed during the May 9, 2002 Special Session of the Connecticut General Assembly delaying the reduction, in increments, and ultimate repeal of the gift tax (other than for those donors whose amount of taxable gifts, for Connecticut gift tax purposes, exceeds \$1 million during a calendar year).

**Effective Date:** July 1, 2002, and applicable to calendar years beginning on or after January 1, 2002.

**Statutory Authority:** Conn. Gen. Stat. §12-642(a), as amended by 2002 Conn. Pub. Acts 1, §76 (May 9, 2002 Spec. Sess.).

**Phaseout of Gift Tax Postponed:** The previously scheduled gift tax rate reduction enacted by 2000 Conn. Pub. Acts. 170, §8 has been postponed for calendar years 2002 and 2003. The gift tax rate for calendar year 2001 will remain in effect for calendar years 2002 (including gifts made prior to July, 1, 2002) and 2003. The previously scheduled gift tax rate reduction for each of the other calendar years will be delayed by two years (see Gift Tax Rate Schedule at right).

**Taxable Gifts:** The **amount of taxable gifts**, for Connecticut gift tax purposes, means the total amount of gifts, for Connecticut gift tax purposes, made during a calendar year, **less** certain deductions (deductions for gifts to charitable organizations or for gifts to a spouse, to the extent those gifts are includible in the total amount of gifts, for Connecticut gift tax purposes). The **total amount of gifts**, for Connecticut gift tax purposes, may be less than the total amount of gifts, for federal gift tax purposes, if:

- Any gifts made by the donor are not subject to Connecticut gift tax (such as a gift of real or tangible personal property located outside Connecticut);
- The donor is not entitled to the annual exclusion\* (the first \$11,000 of any gifts of a present interest in property to a particular donee during a calendar year) for Connecticut gift tax purposes because all or a portion of the first \$11,000 of any such gifts to the donee during the

**Gift Tax Rate Schedule**

Amount of Taxable Gifts, for Connecticut Gift Tax Purposes	Tax
<b>Calendar Years 2001, 2002, and 2003</b>	
\$25,000 or less	NO GIFT TAX DUE
over \$25,000 but not over \$50,000	\$250 plus 2% of the excess over \$25,000
over \$50,000 but not over \$75,000	\$750 plus 3% of the excess over \$50,000
over \$75,000 but not over \$100,000	\$1,500 plus 4% of the excess over \$75,000
over \$100,000 but not over \$675,000	\$2,500 plus 5% of the excess over \$100,000
Over \$675,000	\$31,250 plus 6% of the excess over \$675,000

**Calendar Year 2004**

\$50,000 or less	NO GIFT TAX DUE
over \$50,000 but not over \$75,000	\$750 plus 3% of the excess over \$50,000
over \$75,000 but not over \$100,000	\$1,500 plus 4% of the excess over \$75,000
over \$100,000 but not over \$700,000	\$2,500 plus 5% of the excess over \$100,000
Over \$700,000	\$32,500 plus 6% of the excess over \$700,000

**Calendar Year 2005**

\$75,000 or less	NO GIFT TAX DUE
over \$75,000 but not over \$100,000	\$1,500 plus 4% of the excess over \$75,000
over \$100,000 but not over \$700,000	\$2,500 plus 5% of the excess over \$100,000
Over \$700,000	\$32,500 plus 6% of the excess over \$700,000

**Calendar Year 2006**

\$100,000 or less	NO GIFT TAX DUE
over \$100,000 but not over \$850,000	\$2,500 plus 5% of the excess over \$100,000
Over \$850,000	\$40,000 plus 6% of the excess over \$850,000

**Calendar Year 2007**

\$950,000 or less	NO GIFT TAX DUE
Over \$950,000	\$45,000 plus 6% of the excess over \$950,000

**Calendar Years after 2007**

\$1,000,000 or less	NO GIFT TAX DUE
Over \$1,000,000	\$47,500 plus 6% of the excess over \$1,000,000

calendar year was not subject to Connecticut gift tax (such as a gift of real property located outside Connecticut); or

- The value of any gift for Connecticut gift tax purposes differs from the value for federal gift tax purposes (such as a gift of farmland, where the donor claims special valuation on *Schedule CT-709 Farmland*).

The deductions allowed from the total amount of gifts may be less for Connecticut gift tax purposes than for federal gift tax purposes if gifts that are not subject to Connecticut gift tax (such as a gift of real or tangible personal property located outside Connecticut) are made to a charitable organization or to a spouse.

\*The annual exclusion amount is indexed for inflation for federal and Connecticut gift tax purposes. There was an adjustment to the annual exclusion amount for gifts made during calendar year 2002.

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**2002 Connecticut Gift Tax Returns Filed Prior to July 1, 2002:** The 2001 **Form CT-709** may be used for gifts made in 2002 if:

- The donor of the gifts dies before July 15, 2002, and the due date for filing federal Form 709 is nine months after the date of death; and
- The 2002 **Form CT-709** is not available by the time the return is required to be filed.

You must file an amended return if a 2002 Connecticut gift tax return was filed using the 2001 **Form CT-709** prior to the passage of 2002 Conn. Pub. Acts 1 (May 9 Spec. Sess.) The gift tax rates and exemptions posted in this publication must be applied to the amended return.

**Effect on Other Documents:** While **Special Notice 2000(10)** is not modified and superseded, the gift tax rate schedule published therein should not be relied upon for calendar years after 2001.

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**Effect of This Document:** A Special Notice is a document that announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS and may be referred to for general guidance by taxpayers or tax practitioners.

**For Further Information:** Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

**TTY, TDD, and Text Telephone users only** may transmit inquiries 24 hours a day by calling 860-297-4911.

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**Forms and Publications:** Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: **[www.drs.state.ct.us](http://www.drs.state.ct.us)**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.